An Overview of Saudi Arabia's New Companies Law (2026)

Key Reforms, New Corporate Structures, and Compliance Considerations for Businesses Operating in the Kingdom

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Abstract

Saudi Arabia's Companies Law, issued by Royal Decree (M/132) and in force since January 2023, introduced a broad restructuring of the legal framework governing corporate entities in the Kingdom. This note summarizes the law's principal features — including the introduction of the Simplified Joint Stock Company, revised governance and minimum capital rules, the Family Charter mechanism for family-owned businesses, and updated dissolution and liquidation procedures — and outlines the practical compliance steps that existing companies should take to align their constitutive documents with the new requirements.

1. Background and Legislative Context

The new Companies Law replaced the prior 2015 framework with the stated objective of improving the ease of doing business in Saudi Arabia, supporting the diversification goals of Vision 2030, and attracting greater domestic and foreign investment. Rather than amending isolated provisions, the legislator restructured core areas of corporate law, including incorporation procedures, governance obligations, capital requirements, and the legal forms available to founders and investors.

2. New and Reformed Corporate Structures

Several structural changes are particularly relevant to founders, investors, and existing businesses:

- **Simplified Joint Stock Company (SJSC):** A new entity type designed for startups and venture-backed businesses, offering reduced administrative formalities compared with the traditional joint stock company and greater flexibility in structuring share classes and governance arrangements, making it attractive for early-stage and high-growth companies.
- **One-Person Company:** Recognized as a distinct legal form, allowing a single Saudi or GCC national to incorporate a company without a statutory minimum capital requirement, while maintaining a separate financial liability from that of its owner.
- **Family Charter:** A documented mechanism enabling family-owned businesses to formally regulate ownership, succession, and governance matters, intended to reduce the disputes that have historically affected multi-generational Saudi family enterprises.

- **Revised capital and governance thresholds:** The law adjusts minimum capital requirements for certain entity types and reinforces board-level obligations, including stricter rules addressing conflicts of interest and the duty of directors not to exploit corporate opportunities for personal gain.

3. Governance and Transparency Measures

The law places considerable emphasis on corporate governance and transparency. It defines more precisely the powers and responsibilities of the board of directors, introduces clearer rules on conflicts of interest, and increases disclosure obligations — complementing related initiatives such as the beneficial ownership registry, which aims to build a more accurate record of the individuals who ultimately control Saudi companies. These measures are intended to strengthen investor confidence and reduce the risks associated with opaque ownership structures.

4. Digitalization of Corporate Procedures

Consistent with the Kingdom's broader digital transformation agenda, the new framework recognizes electronic contracts and resolutions and reduces reliance on paper-based documentation. Incorporation filings are increasingly processed through electronic government platforms, shortening the timeline for establishing and registering companies and reducing the administrative burden on founders.

5. Compliance and Alignment Period

Companies that were already in existence when the new law entered into force — whether limited liability companies or joint stock companies — are required to amend their constitutive documents (memorandum and articles of association) to bring them into conformity with the new law within the prescribed alignment period. Failure to complete this alignment can expose a company to legal liability and may obstruct corporate transactions or dealings with government entities. Companies facing financial difficulty should also note that the law is designed to interact with the Saudi Bankruptcy Law, facilitating either amicable settlement or formal liquidation procedures and shortening timelines for winding down non-viable entities.

6. Practical Recommendations

- Existing companies should review their current constitutive documents against the new law's requirements as a priority, rather than waiting until a transaction or regulatory inquiry makes non-alignment apparent.
- Founders considering a new venture should evaluate whether the Simplified Joint Stock Company structure better serves their capital-raising and governance needs than a traditional entity form.

- Family businesses should consider whether a Family Charter would help formalize succession planning and reduce the likelihood of ownership disputes between generations.
- Boards of directors should reassess internal governance policies in light of the heightened conflict-of-interest obligations introduced by the law's implementing regulations.

7. Conclusion

Saudi Arabia's new Companies Law represents a substantial modernization of the Kingdom's corporate legal infrastructure, combining greater flexibility for founders and family businesses with stronger governance and transparency obligations. Businesses operating in Saudi Arabia — whether long-established or newly formed — are well served by reviewing their corporate structure and constitutive documents against the new requirements at the earliest opportunity.

About the Author

This note was prepared by the Corporate & Commercial practice at Al-Othman Law Firm, which advises companies, founders, and investors on incorporation, corporate governance, and regulatory compliance under Saudi law. For a more detailed treatment of these reforms, see the firm's full legal guide on the Saudi Companies Law at alothmanlaw.sa/en.